

BluMetric Environmental Inc.

Third Quarter 2025 Earnings Conference Call

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## Corporate participants

Brandon Chow

Panolia Investor Relations Inc. — Principal & Founder

Scott MacFabe

BluMetric Environmental Inc. — Chief Executive Officer

Dan Hilton

BluMetric Environmental Inc. — Chief Financial Officer

## Conference Call Participants

**Steve Kammermayer**

*Clarus Securities — Analyst*

**Sebastian Krog**

*Treasure Hunting — Analyst*

**George Doumet**

*Private Investor*

**Ian Cassel**

*IFCM — Analyst*

## PRESENTATION

### **Operator**

Good morning, ladies and gentlemen, and welcome to the BluMetric Environmental Inc. Fiscal Year 2025 Q3 Conference Call. At this time note that all participants are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session. If at any time during this call you require immediate assistance, please press star zero for the operator. Also note that this call is being recorded on Thursday, August 28, 2025.

I would now turn the call over to Brandon Chow. Please go ahead.

Brandon Chow — Principal & Founder, Panolia Investor Relations Inc.

Thank you, operator. Welcome, everyone, to BluMetric Environmental's quarterly earnings conference call. This call will cover BluMetric's financial and operating results for the 2025 third fiscal quarter ended June 30, 2025. Following our prepared remarks, we will open the conference call to a Q&A session. Our call today will be led by Scott MacFabe, BluMetric's CEO, and Dan Hilton, the Company's CFO.

Before we begin with our formal remarks, I would like to remind everyone that some of the statements on this conference call may be forward-looking statements. Forward-looking statements may include, but are not necessarily limited to, financial projections or other statements of the Company's plans, objectives, expectations, or intentions. These matters involve certain risks and uncertainties. The Company's actual results may differ significantly from those projected or suggested in any forward-looking statements due to a variety of factors, which are discussed in detail in our regulatory filings.

There may also be references to certain non-IFRS measures such EBITDA, backlog, working capital, free cash flow, and net cash. These non-IFRS measures are not recognized measures under the International Financial Reporting Standards and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Please see our disclosures for further information and reconciliations of these non-IFRS measures.

I will now hand the call over to Scott MacFabe. Please go ahead, Scott.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Thank you, Brandon, for the introduction. Welcome, everybody, to our third quarter 2025 earnings call for BluMetric Environmental. We appreciate all of you for taking the time to join us on today's conference call. As per usual, I'll start off by providing an overview of the quarter and Dan will go over our financial results in more detail.

Firstly, we like to start off by giving those who are new to our story a reminder of what we do at BluMetric. We create a better environment for business. And what does that mean? Well, BluMetric is a full-service water technology and environmental engineering firm. We design, fabricate, and deliver sustainable solutions to complex water and environmental challenges and have a rich history that spans over 50 years. We have evolved into a specialized integrator of environmental solutions in the fields of water and wastewater treatment and professional environmental services for the natural environment. We aspire to be the environmental solutions and WaterTech company of choice globally.

Now let's discuss this quarter in more detail. The quarter saw another significant increase in revenues, due primarily to the addition and post-acquisition organic growth of Gemini, also known as WaterTech USA. I would like to point out that the organic growth of the acquisition has been strong post

acquisition and we are very happy with the results so far, attributable to the investments that we have made in people, sales, and production facilities.

These operational results for WaterTech USA wouldn't have been possible if it wasn't for the previous investments we've made over the last couple of quarters. Since acquiring Gemini almost a year ago, we have had more than double the revenues and have put into place a strong foundation to continue their run rate, which also is building a base of recurring revenues with operation and maintenance, or O&M. As evidenced with recent announcements, we see strong demand for fixed-base de-sal systems in the Caribbean region. This continues to be producing other opportunities that emerge with wastewater treatment as well, particularly in regions like Texas. We have our eyes set out on not only growing our customer footprint in the Caribbean but also in other geographies like the southern US.

This quarter we also saw a 76% increase in revenues for our military market, as we started production of our ASUWPS unit. To contract it, we're executing with Rheinmetall Canada along with other existing military contracts on board. The work is going well so far. We feel that this market is due for more significant growth. We believe that this is the case because the recent commitments from the Canadian federal government for military spending and the urgency behind it.

As you know, over the last couple of years we've invested into the team, particularly for sales and marketing, to grow this market in Canada and abroad. We continue to be patient with securing contracts for the military market given the longer sales cycles. Subsequent to the quarter, we announced the first-of-its-kind \$3.8 million contract with Thales Canada to help improve the water quality and extend the life of the distribution systems on Canadian Navy ships. It's these kind of initiatives that showcase our technologies and client-centric approach to launching new products for our customers.

For our military market, we continue to believe that our success will hinge on our continued ability to form key relationships within the main target markets in Canada, Europe, and the United States. A milestone I would like to see is a contract with another NATO country besides Canada, validating that we can sell and execute internationally.

Similar to our last quarter in professional services, we saw the tail end of project delays due to the transition in Canadian federal government, Ontario provincial government, and market uncertainty stemming from the US trade uncertainties. This continued to have the most impact on our government market, which remains 10% behind in revenues year over year, and we also saw weakness in the commercial industrial market for professional services. In addition, our mining market saw some weakness due to general slowdown but we are now seeing this start to pick up significantly.

The combination of delays in projects along with a higher personnel base to support higher revenues created an increase in non-billable labour and, consequently, lower utilization, lessening our profitability in the segment. We originally thought this would improve towards the end of Q2, but it was only until the end of Q3 where we started to see the full rebound start. As a reminder, we completed significant reorganization of the team in this segment in the previous fiscal quarter and expect the benefits of these changes will come through in due time. As we look forward, Q4 and Q1 are usually our seasonally strongest quarters for professional services and we will aim to take advantage of that.

We're also assessing potential acquisitions in professional services which we believe align with and strengthen our sales, operations, and offerings. There's potential to take advantage of the weakness in certain markets and geographies where we can get a more favourable price for new assets. Furthermore, EBITDA for the quarter was down slightly, mainly due to lower utilization of our

professional services. As I mentioned, we're getting the segment back on track, which will help improve the bottom line. Ultimately, our success in the coming quarters will hinge on the successful execution and delivery of our WaterTech projects and improving the growth and profitability of professional services.

In conclusion, this year is shaping up to be a strong year, as we saw the benefits of our investments alongside execution and excellence in sales, business development, and manufacturing. We want to set ourselves up for success in the coming fiscal year, which means making the right moves now and planning ahead, as we always have. We're a unique company with unique water technologies and this combination, with talented and committed people, creates a flywheel for us to become a larger and more dominant player in our markets.

I'd now like to hand it over to Dan for a more detailed overview of the financials. Please go ahead, Dan.

**Dan Hilton** — Chief Financial Officer, BluMetric Environmental Inc.

Thank you, Scott. Today I'll be presenting BluMetric's 2025 fiscal third quarter results in more detail.

Revenue for the third fiscal quarter was \$14.7 million compared to \$8 million in the prior year. As Scott mentioned, the revenues increased primarily due to the rapid growth of WaterTech USA, which continues to surpass our expectations. We acquired this business with approximately US\$7 million in trailing revenues and have since grown it to a run rate that is more than doubled when annualized. This would not have been possible without the investment in additional and improved manufacturing space along with new hires. This showcases how we continue to make investments in the underlying business

which we expect to pay off later as sales continue to grow and new O&M contracts are negotiated with long-standing clients.

Across the Company's key markets for the fiscal quarter, the commercial and industrial markets revenue increased year over year, mainly due to WaterTech USA. The government market saw a modest increase due to delays on projects from the prior quarter. The military market increased mainly due to the Rheinmetall Canada production, which has started, alongside with other existing military contracts. We expect to see production of the ASUWPS systems with Rheinmetall Canada continue for approximately the next five quarters. Lastly, the mining market decreased due to a general sector slowdown; however, as Scott mentioned, we are now starting to see the mining sector pick up again with many of our clients requesting proposals. We generally expect to see fluctuations in our core markets as we continue executing and some will make up for others, depending on the quarter. Having a strong presence in our four markets helps to manage these natural fluctuations. Utilization is improving, as we see field work and contract awards picking up.

Our gross margin was 36% for the fiscal quarter compared to 44% in the prior year. The decrease in gross margin is attributable to the change in sales mix, where there's been a material increase in the relative sales of WaterTech over professional services during the year.

Operating expenses for the fiscal quarter came in at \$5.6 million compared to \$3.4 million in the prior year. The increase is due to the operating expenses attributable to Gemini, which are proportionally lower than the associated revenue growth, resulting in economies of scale. There is also a \$900,000 increase in non-billable labour within the professional services segment compared to the same period in 2023. This is influenced by the natural timing of contracts and the delayed market linked to



macroeconomic factors following recent government changes in Canada and market uncertainties. We have demonstrated our commitment to our world-class team by continuing to retain and support staff in anticipation of future growth in professional services in Q4 and beyond as market conditions and government procurement improve.

EBITDA for the fiscal quarter decreased slightly to \$308,000 compared to \$356,000 for the prior year. The decrease in EBITDA is mainly due to investments along with the deterioration in utilization for our professional services. This was offset by the operating leverage received from Gemini. As at the end of the fiscal Q3 we have seen a turnaround in the market activity, which we expect to improve, and we'll see those results in our utilization in Q4.

A net loss of \$451,000 was recorded for the fiscal quarter compared to net earnings of \$27,000 in the prior year. On June 30, 2025 BluMetric had a net cash balance of \$3.4 million compared to net debt of \$157,000 a year ago. As at June 30, 2025, the Company had approximately \$7.4 million in cash availability between its operating line and cash balances and was not bound by any debt covenants.

Overall, 2025 has shaped up to be a transformative growth year for the Company, as we saw the benefits of our investments pay off. We still have work to do to continue our momentum in WaterTech Canada and in the United States while we are solidifying the right economics in professional services by improving efficiencies, utilization, and reducing seasonality through strategies to broaden our service lines and geographic reach. Our production capacities in Canada and the United States are progressing nicely and have been able to satisfy the higher run rate in WaterTech. Next calendar year we expect to see the benefits of other investments, like our new ERP system, which will allow for improved product management and load balancing.

We are a world-class environmental consulting and water technologies, delivered by world-class people who do meaningful work every day. We continue to believe that 2025 is an inflection point for the business; water is ever scarcer and the environmental concerns of our clients continue to require our world-class assistance.

I'd like to thank everyone for taking the time to allow us to present our results to you today and I'll now hand it back over to Scott.

**Scott MacFabe** — Chief Executive Officer, BluMetric Environmental Inc.

Thank you, Dan. That was a great update. And I echo the excitement surrounded around the opportunities that lie in the year ahead. We'll now take questions from call participants and we'll pass it back off to the operator.

Q & A

**O**perator

Thank you, sir. Ladies and gentlemen, if you do have any questions at this time, please press star followed by one on your touchtone phone. You will then hear a prompt that your hand has been raised. Should you wish to decline from the polling process, please press star followed by two. If you are using a speakerphone, you will need to lift the handset first before pressing any keys. Please go ahead and press star one now if you have any questions.

Once again, ladies and gentlemen, if you do have any questions, please press star followed by one on your touchtone phone.

And your first question will be from Steve Kammermayer at Clarus Securities. Please go ahead.

**Steve Kammermayer** — Analyst, Clarus Securities

Good morning, guys.

**Scott MacFabe** — Chief Executive Officer, BluMetric Environmental Inc.

Good morning, Steve.

**Steve Kammermayer** — Analyst, Clarus Securities

Just curious about the margin improvement in Q4. Is there anything in particular you need to do or has the revenue already started to be generated from the Canadian government?

**Dan Hilton** — Chief Financial Officer, BluMetric Environmental Inc.

Yeah, definitely I think, as you know, we've got an aspiration to achieve a 10% EBITDA at \$10 million top line and that's what we're modelling towards. It's challenging, for sure, with the delays in government contracts and some of the delays we saw in awards during the election period. We're definitely seeing improvement both in mining and in government. Our utilization is at an all-time high right now, so if we can sustain that, obviously that will drop to the bottom line. Our Q2 utilization was very low, one of the lowest we've seen a long time, as we maintained a strong stock complement while we were waiting for a contract to be awarded. So I think, to answer your question, we are seeing already signs of material improvement in EBITDA for Q4.

**Steve Kammermayer** — Analyst, Clarus Securities

Okay. And as we sit today, you know, mostly through fiscal Q4 here, when we look at year-over-year EBITDA margins, are we trending towards beating fiscal year 2024 in 2025 here?

**Dan Hilton** — Chief Financial Officer, BluMetric Environmental Inc.

Yeah. We believe by the end of 2025 we'll have a stronger EBITDA than we did in 2024. That's correct.

**Steve Kammermayer** — Analyst, Clarus Securities

Okay. That's actually all I had. Thanks, guys.

**Operator**

ladies and gentlemen, a reminder to please press star one if you have any questions. Next question will be from Sebastian Krog at Treasure Hunting. Please go ahead.

**Sebastian Krog** — Analyst, Treasure Hunting

Hi, guys. Thanks for taking my question. I just wanted to get maybe some more colour on the increase in SG&A, one on the professional service side and then also on the WaterTech front. Maybe you could explain a bit more the rationale behind and where exactly you are investing currently.

**Dan Hilton** — Chief Financial Officer, BluMetric Environmental Inc.

Yeah, absolutely. I'll talk the WaterTech first, just because I think it's a quicker and shorter explanation. When we acquired Gemini, we naturally picked up some additional overheads related to that business; however, the proportion of those overheads when compared to the revenue is

significantly less than the balance of our business. So, while there is an additional overhead component from that acquisition, there are economies of scale and we're not seeing any material increase to overheads as a result of that transaction.

The single largest change in our overhead or SG&A year over year has been the reduction in utilization within the professional services team, as you mentioned, and so that's why you're seeing the increase in that segment. When our utilization is low, the unallocated costs associated with our employees falls to SG&A, so when our team is working hard, they're out in the field and billing our clients, we have improvement in revenue and we have a decrease in SG&A. When things are slow and we're waiting for contracts to be awarded, we have a reduction in revenue and an increase in SG&A. So it's a bit of a double-whammy on the professional services side and we saw the impact of that in Q3. And as I mentioned to Steve earlier, we're now at a point in our cycle where utilization is extremely high and so we expect that to flip in Q4.

**Sebastian Krog** — Analyst, Treasure Hunting

Perfect. That makes a lot of sense. Thank you.

**Scott MacFabe** — Chief Executive Officer, BluMetric Environmental Inc.

Hey, Sebastian, one last thing. This is Scott. Good to hear from you, by the way. As Dan mentioned, one of the more difficult decisions we have to make in management relative to professional services is, is it best in the long term to hold your team and execute well so that you can recover with a higher execution down the road when the contracts kick in, and they have, but a quarter ago it was a very difficult decision to say we're going to retain the team. We've always said the secret sauce in this business is our people and we have to walk the talk, and if we just cut heads, it's a very short-term way

to look at the business. It may produce some improvement in the numbers but the long-term impacts are quite negative and then you eventually earn the unfortunate name that your company doesn't have the maturity to be able to hold the teams together and execute well for the clients. So we took the approach that we saw this little dip in utilization as just delays, not contracts being quit, and when they lit up, and they are lighting up now, we have the team ready to go and executing well, and that, as Dan mentioned, that should reduce that SG&A and improve our production of revenue in Q4 like we need to. So we don't want to be known as the hire-and-fire organization. I mean there are times when you have to do that, but I think we made, I believe strongly we made the right call and we're going to see the benefits of that call in Q4 and beyond.

**Sebastian Krog** — Analyst, Treasure Hunting

Okay. So, just to clarify, you kept your headcount stable on the professional service front. You didn't increase or decrease it significantly. Is that correct?

**Scott MacFabe** — Chief Executive Officer, BluMetric Environmental Inc.

We made no increase in professional services. The only adds to our headcount were in WaterTech.

**Sebastian Krog** — Analyst, Treasure Hunting

Okay. Thank you very much.

**Operator**

Thank you. Next question comes from Jordan Grant at Seaton Group. Please go ahead.

**Jordan Grant** — Analyst, Seaton Group

Hello, team. Nice to hear your presentation. Thank you. On the same point, I just wanted to hammer it home for the sake of other listeners, ah, it's sort of a little accounting quirk here in that those salaries and benefits, when the people are out billing, it slips up to cost of sales, and when they're unutilized it's flipping down to overhead costs. So it's definitely not a permanent increase in overheads, it's just because of that little accounting quirk. And could you just repeat again, please, you mentioned what that dollar figure was of unbilled revenue compared with the previous period, comparative period.

**Dan Hilton** — Chief Financial Officer, BluMetric Environmental Inc.

\$900,000 is what we carried in the quarter.

**Jordan Grant** — Analyst, Seaton Group

Yeah. And what was it in comparison with the previous period though?

**Dan Hilton** — Chief Financial Officer, BluMetric Environmental Inc.

Yeah. So, normally we carry about \$1.5 million in unutilized labour per quarter and so this was up at \$2.4 million for the quarter.

**Jordan Grant** — Analyst, Seaton Group

Okay. So \$900,000 was the increase. So that's very significant, because just having that, had that been normal, the bottom line would have gone up by that much.

**Dan Hilton** — Chief Financial Officer, BluMetric Environmental Inc.

That's exactly right.

**Jordan Grant** — Analyst, Seaton Group

Actually more, because your revenue would have been higher as well and your gross margin. Or not the gross margin but the gross revenue.

**Dan Hilton** — Chief Financial Officer, BluMetric Environmental Inc.

Jordan, I really appreciate you pointing this out, because in many ways these are the hard decisions that we have to make for the long game. And if we become, you know, we start making knee-jerk reactions like the amateurs might, then we're going to pay for it for the long term. Our reputation is going to be tarnished and the kind of people we need to have here and bring to the organization that are going to produce the future for us are just not going to come or stay. And so it's a tough one, but you're absolutely right, when we see things moving to the side or to the right and we know contracts aren't being cancelled, we just have to bite the bullet. I am completely confident that we made the right decision, even though making that kind of decision does mask, in many ways, the results from other aspects of the operations that are doing very, very well.

**Jordan Grant** — Analyst, Seaton Group

Right. So, on a strategic measure, you mentioned that you're looking at possible acquisitions and possible growth in the professional services to try to balance that out.

**Scott MacFabe** — Chief Executive Officer, BluMetric Environmental Inc.

Yes.

**Jordan Grant** — Analyst, Seaton Group



So are you looking at different geographic markets and/or additional services that you can offer to the same set of clients, presumably?

**Scott MacFabe** — Chief Executive Officer, BluMetric Environmental Inc.

That's a great question. The way we look at it, and part of our strategy is, there's kind of three legs to the stool here and we've got two of them covered. We're well taken care of in the natural environment for water and environmental services, we're well taken care of in terms of technology for water/wastewater, but we're not very well represented in the built environment. And when I say that, we do have some services that play in there, like industrial hygiene services, IHS services, that are very profitable. They're not seasonally impacted. And so we look at that aspect of the business in the built environment where many partners hire us to do that kind of work and so we have, in our pipeline we have candidates that actually have approached us saying they'd like to be part of our enterprise and we are constantly evaluating the benefit of that. But we do see that there's great synergistic benefits, there's opportunities to improve our strength in geographies where we're weak, and then the benefits of that, basically we look at an incubator model to say what would happen if, you know, what would the synergies be and what would be the overall benefits to all shareholders if they were part of us. And of course, all these candidates, they need to be no debt, immediately accretive, profitable. And so it's nice to see. I think what's starting to emerge here more and more is that different businesses, different business enterprises are looking at us as a great place to be. So we've got some business gravity in our M&A pipeline where, compared to some of the bigger organizations, I think we're a little more friendly, and the more entrepreneurial organizations want to be part of something our size where they can continue to grow and exercise their abilities in a more pleasant environment.

**Jordan Grant** — Analyst, Seaton Group

Thanks for that, Scott.

**Scott MacFabe** — Chief Executive Officer, BluMetric Environmental Inc.

Good to hear from you, Jordan.

**Jordan Grant** — Analyst, Seaton Group

Likewise.

**Operator**

Next question will be from George Doumet. Please go ahead.

**George Doumet** — Private Investor

Good morning, Scott and Dan. How are you guys?

**Scott MacFabe** — Chief Executive Officer, BluMetric Environmental Inc.

Hey, George. Good to hear from you.

**George Doumet** — Private Investor

I just want to talk a little bit about the utilization. Sorry to keep hammering the point, but I think you called out \$900,000. As you called, you know, seasonally, very high utility into Q4, we've got visibility on July and August, so do you think you can hit a 10% margin, EBITDA margin for the quarter? Is that kind of...? I think you mentioned that's one of your targets. Is that something you can do for the quarter specifically?

**Dan Hilton** — Chief Financial Officer, BluMetric Environmental Inc.

I don't think, to be honest, George, I think that would be a stretch. I think we're hoping to get somewhere north of 6% for the quarter, maybe close to 7%. I think 10% is an aspirational target that we have at \$100 million revenue. There are still other overheads that we carry as a small public company that sort of get absorbed through economies of scale as our revenues get bigger. So I think it would be aggressive for us to suggest to the market we would hit a 10% EBITDA, but we should see significant improvement. And you can see the scales of the numbers that we're talking about. \$900,000, measured against our revenue, is material, but I'd be shocked if we got close to 10%. I think we're more likely in the 6% to 7% range.

**George Doumet** — Private Investor

Okay. So it's fair to say that we should have an improvement from seasonality into Q4, that \$900,000 should kind of disappear in the Q4 quarter?

**Dan Hilton** — Chief Financial Officer, BluMetric Environmental Inc.

Yes. Agreed.

**George Doumet** — Private Investor

Okay. And can we talk a little bit about M&A? Just a follow up. Like maybe a bit more in terms of where you see the pipeline, where you see the opportunities, willingness for sellers, and what kind of multiples should we expect you guys to pay for these acquisitions and the amount of leverage you're comfortable putting on the business to acquire these targets. Thanks.

**Scott MacFabe** — Chief Executive Officer, BluMetric Environmental Inc.

I'll start and I'll let Dan finish. We've always said that we're building a nice pipeline with quality candidates. We don't rush it. This year we've actually gone down the path with at least one potential candidate that, at the end of the day, we had to walk away from because it just didn't play out. The numbers just did not come across with current performance, the way they were represented, and so we had to walk away. Which is disappointing, but it's necessary.

Other targets, obviously, we can't talk about. Forward-looking statements like that, we're very cautious about. But at the same time, I can say part of our investments when we're doing this kind of an assessment really come down to a very deep dive and a large investment in understanding the details of any enterprise we're looking at. I mean perfect example for a quality of earnings assessment with an external would be \$100,000 just on its own, \$80,000 to \$100,000. And we're absolutely spending that money because we know it's money well spent to make sure that we have the details and confidence if we go forward with any of these decisions. Number one.

Number two, as we get closer to closing on one of these candidates, by that time we're very confident that it will be an immediately accretive asset, it's going to bring cash to the table, it's going to bring great people to the enterprise, it's going to add to our roster in terms of skills and geography, but then, most importantly, it's the incubator aspect of it as to what the two organizations can do together to produce a great outcome. Dan and I work on that a lot. Again, if you don't hear us closing on something this year, don't be disappointed, because you have to, I hope you have the confidence that we're making the right decisions not just to jump to try and impress the market with a bump in our business that isn't going to produce long-term benefit.

So that's kind of where we're at. Dan and I do spend a lot of our time on this and it is a key aspect of it, but I think the last question or aspect was what are we willing to do in terms of taking on risk and debt. This is my eighth year at BluMetric and I've spent a lot of time with the team where we have, you know, an absolutely clean balance sheet, we currently have no debt, we currently have cash, we currently have a line, we have a lot of interest in investing in us, and I think that's for good reason. So when we make a decision to pursue an enterprise, I think we have the sophistication and the experience to not overpay and to make sure that we're bringing something in that's going to be beneficial for short and long term for all of our shareholders.

Dan, I'll pas it over to you for further details

**Dan Hilton** — Chief Financial Officer, BluMetric Environmental Inc.

Yeah. I mean, I think that was a pretty comprehensive response. I'd suggest that the companies that we're actively engaged with at the moment in our pipeline, just to give you a sense, are in the four to six times EBITDA range as sort of a rule of thumb is what I would throw out. We do believe in all cases that they'd be accretive to the organization. And one of the key things that we look for apart from fit and culture and those things is the ability for us to start some level of organic growth within that enterprise. So we're looking for opportunities where there's companies that can leverage their partnership with us and really the measure of success would be organic growth after the fact and so that's one of the key things we're looking for.

In terms of how we'll finance these, I mean we're very cognizant of the share price. We have to make an assessment, obviously, of the value that the market is placing on us with respect to whether there's any opportunity to look at a raise of some sort. Certainly, as Scott mentioned, we're averse to

debt, but debt is an option. Certainly, if the share price is not ideal, there's an opportunity to take a little bit of debt. But we'll never put ourselves in a situation where our debt obligations are dictating how we run our business. I think we've been through that and we're past that now. The timing of some of these transactions will surely depend on the value the market places on us and how we feel the cycle is so that we can make the most and leverage the new companies that are joining us. And we want to make sure that we're going to be, obviously, to the benefit of all shareholders, and we want the timing of the transaction to work out very well for the target as well. That's important so that they stay motivated and excited about seeing growth and fueling something organic after the fact.

**George Doumet** — Private Investor

Thanks. Just the last one for me. I think you mentioned NATO markets for an acquisition. I was a little bit surprised by it or curious by that, ah, other parts outside. I'm just wondering the rationale for maybe going into new markets as opposed to adding capacity in our existing markets, extracting more synergies, perhaps, in our existing markets, so just maybe the rationale there. Thanks.

**Dan Hilton** — Chief Financial Officer, BluMetric Environmental Inc.

I just want to make sure we understood the question you were asking about. Was it the NATO market? Is that what you suggested?

**George Doumet** — Private Investor

I think I heard you say NATO. Like N-A-T-O. Like other markets outside of North America.

**Dan Hilton** — Chief Financial Officer, BluMetric Environmental Inc.

Oh, NATO. Yeah, not from an acquisition perspective. NATO, the comment about NATO had to do with sales growth opportunities. So we currently sell to the Canadian military. They're a large client of ours. We have a fantastic relationship. And over the last several years that team has been able to inventory all of our parts that we sell to the Canadian military in the NATO catalogue. And so we are a valid source of water technology to other NATO countries and so the comment we made earlier was about sales opportunities outside of Canada into our NATO partners, not an acquisition opportunity.

**George Doumet** — Private Investor

Understood. Thanks for the clarification. Thank you.

**Operator**

Next question will be from Ian Cassel at IFCM. Please go ahead.

**Ian Cassel** — Analyst, IFCM

Yeah, my question is about the contract you announced on August 12<sup>th</sup>. I believe that was a new product. I was wondering if you can just give some colour on that new product and what the total kind of market opportunity is for that.

**Scott MacFabe** — Chief Executive Officer, BluMetric Environmental Inc.

Good morning, Ian. Good to hear from you. Great question. Anyone who's seen any of our presentations, part of our business model, we often say that we don't have an R&D budget but we have a flywheel with our clients where we're constantly working with them very closely to understand their problems and then to modify, adjust, or develop new solutions for them as needed. And this particular case, Thales is a huge military contractor, much like Rheinmetall, I think they're based in France, they

have a strong position in Canada and they've hired us to support them on various aspects of Royal Canadian Navy and other aspects of the military. But part of that was to come to us and say, we have some curiosities we need to resolve relative to water quality in our ship-based systems. Is there anything you can do to help us with that? So we did a very quick look at what the issues were. They're confidential. It's all part of their designs that they have in their systems, their ship-based systems. And we produced a system that is basically a bolt-on system that will work with and amend the water quality to improve water quality but also to extend the life of the infrastructure through which it's conveyed. And so, beyond talking more about it, what I can say is we thought that it was going to be a one- or two-off opportunity through Thales with the Navy and at the end of the day they gave us the entire contract to start right away because they really see the benefit of deploying this on a broad scale. So that is underway and it's being tested.

**Dan Hilton** — Chief Financial Officer, BluMetric Environmental Inc.

I would add as well that although this was a product that was built specifically for the Canadian Navy, we retain the rights to the IP and we do believe there is a broad application throughout all commercial shipping. So, once the navy units are in place, it's been tested and deployed for a few months, we'll probably have some learnings from it, but our expectation is that we'll be able to take this investment and market the exact same product to large, ah, whether it's cruise ships or other commercial types of large ships. The solution really is not limited to a navy application; it is any shipboard water system that has enough scale that it justifies extending the life of that infrastructure, the life of the pipes, that sort of thing, versus tear out, which is quite expensive. So, broader application, absolutely, we retain the IP, but I think we'll start to see the benefits of those maybe one to two years down the road. We'll get the navy application fully functional first.



**Ian Cassel** — Analyst, IFCM

Thank you. Appreciate it.

**Operator**

Thank you. And at this time, Mr. MacFabe, it appears we have no other questions registered.

Please proceed.

**Scott MacFabe** — Chief Executive Officer, BluMetric Environmental Inc.

Thank you, operator. In closing, of course, I'd love to thank everybody for joining the call. I appreciate the investment in BluMetric. All shareholders, I hope you know that we're working very hard to run a business or an enterprise here to address both top- and bottom-line growth. We're very pleased with how the year's gone so far. We certainly are not beyond our challenges, but do know that we have a very seasoned team working on all of it and we'll execute well through the rest of the fiscal year. And so, with that, I wish you all the best until our next call at the end of the year. Hope to hear from you soon. Thank you.

**Operator**

Thank you, sir. Ladies and gentlemen, this does indeed conclude your conference call for today. Once again, thank you for attending, and at this time we do ask that you please disconnect your lines. Enjoy the rest of your day.